

IMPACT OF THE CIP ON THE OPERATING BUDGET

Glendale's operating budget is directly affected by the CIP. Almost every new capital improvement entails additional ongoing expenses for routine operation, repair and maintenance upon completion or acquisition that must be incorporated into the operating budget. Also, many new capital facilities require the addition of new positions. Existing city facilities and equipment that were once considered state-of-the-art will require rehabilitation, renovation or upgrades to accommodate new uses and/or address safety and structural improvements. Older facilities usually involve higher maintenance and repair costs as well. PAYGO capital projects, grant-matching funds and lease/purchase capital expenses also come directly from the operating budget.

The costs of future operations and maintenance for new CIP projects are estimated by each department based on a detailed set of cost guidelines that is provided to all departments each year. These guidelines are updated annually in conjunction with the various departments that are experts on different types of operating costs. For instance, the FY 2013 – 2022 CIP reflects the following estimated operating cost for capital projects:

- between \$2.01 and \$3.39 per sq ft annually for electrical and gas costs in a building;
- between \$2.00 and \$3.00 per sq ft annually for building maintenance, including heating, ventilating and air conditioning (HVAC), plumbing, electrical and structural repairs;
- \$1.62 per sq ft annually for custodial services;
- \$0.195 per sq ft annually for building water usage;
- \$341.26 per month for refuse (two 6 yard containers picked up three times a week);
- Vehicle annual replacement contributions, maintenance and fuel costs:
 - ½-Ton Pickup: \$2,170 annual replacement cost, \$0.18/\$0.25 per mile maintenance/gas;
 - Mid-Size Sedan: \$3,000 annual replacement cost, \$0.19/\$0.16 per mile maintenance/gas;
- Technology annual replacement contributions:
 - Desktop Computer: \$461.00;
 - Laptop Computer: \$607.00;
 - Color Printer: \$499.00.

CIP projects involving land acquisitions in anticipation of future needs also increase operating budget costs. Vacant parcels typically have an operating budget impact because of new maintenance costs related to fencing, security, weed control, etc., until the land is needed for new parks, libraries, water treatment facilities, etc. However, even with these additional costs, it often is more cost effective to purchase land before an area has been fully developed.

Operating costs are carefully considered in deciding which projects move forward in the CIP because it is not possible for the city to fund concurrently several large-scale projects that have significant operating budget impacts. Therefore, implementation timetables are established that stagger projects over time.

Council reviews operating and maintenance costs associated with capital projects scheduled to come on-line in the upcoming fiscal year during the annual spring budget workshops. If

operating and maintenance costs have been identified in a project the departments are required to either absorb the additional costs or submit a supplemental request to receive funding. Supplemental requests for CIP operating and maintenance costs are balanced against other requests for additional funding.

Many improvements make a positive contribution to the fiscal well being of the city. Capital projects such as redevelopment of under-performing or under-used areas of the city, and the infrastructure expansion needed to support new development, help promote the economic development and growth that generates additional operating revenues. These new revenue sources provide the funding needed to maintain, improve and expand the city's infrastructure.

The table below summarizes the projected cumulative impact of the CIP on the city's operating budget over the next 10 years, by category. Detailed operating cost estimates are included in the project detail section of the CIP. If applicable, each project contains an operating and maintenance description, as well as a projection for the operating costs for the first five years and a five-year aggregate estimate for the second five years for personnel, supplies, utilities, insurance, etc. In many instances an inflation rate of 3% is figured into the ongoing operating and maintenance costs each year. Until such time that supplemental requests are again being considered, departments have been directed to either defer projects to a later year or absorb additional costs into their current operating budget.

Operating Impact by CIP Project Type

Project Type	S/A	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY's 2018-22
Water & Sewer Projects	S	-	-	335,546	345,612	355,981	5,266,634
	A	-	17,510	18,035	18,576	19,134	104,631
Transportation Sales Tax Projects	S	-	919,858	1,385,149	1,442,940	1,483,904	8,098,632
	A	688,310	278	286	295	304	1,662
All Other Transportation Projects (DIF, HURF & Streets)	S	-	26,740	27,542	28,367	29,219	671,738
	A	25,961	-	-	-	-	-
Park Projects	S	-	-	-	-	-	4,333,346
	A	-	-	-	-	-	58,334
Library/Arts Projects	S	-	-	-	-	-	-
	A	-	-	-	-	-	-
Public Safety Projects	S	-	-	-	-	-	16,472,548
	A	-	-	-	-	-	-
Landfill Sanitation Projects	S	-	-	-	-	-	-
	A	-	-	-	220,554	220,554	1,102,770
Economic Development Projects	S	-	-	-	-	-	-
	A	-	-	-	-	-	28,103
Other Projects	S	-	-	-	-	-	3,426,365
	A	96,511	96,573	96,637	96,703	96,771	484,941
TOTAL Operating Impact	S	\$0	\$946,598	\$1,748,237	\$1,816,919	\$1,869,104	\$38,269,263
	A	\$810,782	\$114,361	\$114,958	\$336,128	\$336,763	\$1,780,441
	TOTAL	\$810,782	\$1,060,959	\$1,863,195	\$2,153,047	\$2,205,867	\$40,049,704

S = Department plans on submitting a supplemental request; A = Department plans to absorb operating costs